

?b 9,15,16,20,148,160,256, 5,278,621,623,624,634,636,810,

?s mystery (w) product or upsell and vending (w) machine

Processing

Processed 10 of 16 files ...

Completed processing all files

101076 MYSTERY

8691602 PRODUCT

70 MYSTERY (W) PRODUCT

2307 UPSELL

50560 VENDING

916121 MACHINE

13671 VENDING (W) MACHINE

S1 77 MYSTERY (W) PRODUCT OR UPSELL AND VENDING (W) MACHINE

DIALOG

03815698 SUPPLIER NUMBER: 12658995 (THIS IS THE FULL TEXT)  
**Data processing: PepsiCo. (Frito-Lay Division) (Best Practice Company)**  
Fink, Ronald  
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**ABSTRACT:** An automated inventory control system has helped PepsiCo's Frito-Lay Div reduce costs by reducing the number of product that goes stale in retail outlets. Pricing and inventory needs can be changed immediately because of the use of hand-held computers.

**TEXT:**

THERE'S AN OLD SAW THAT SAYS WHEN YOU have a hammer in your hand, everything looks like a nail. So it is with computers. Managers have been sold on the computer's blinding computational speed, so everything that can be sped up in business has been, whether it needs to be or not. Less widely used is the computer's analytic capabilities, which help managers make better decisions. Using them is what the approach to processing inventory and sales data of PepsiCo's Frito-Lay division is all about.

For years, Frito-Lay salespeople on their routes, stock book in hand, went around to stores and counted and logged the number of cartons of each kind of snack that they were distributing. All that paper went back to the regional offices, where it was copied and compiled, still by hand, and sent on to Frito-Lay headquarters in Dallas. Reports took hours to put together, and as a result, the company was always behind in knowing how well any given item was selling in any given store.

No more. Five years ago, the company gave each of its 10,000 route salespeople a hand-held order-entry computer made by Fujitsu. Inside the store, the salespeople now use the device to log in what is on the shelves or still in inventory. The information is transmitted instantaneously via a satellite network to a data base on a mainframe computer at Frito-Lay headquarters.

This procedure has slashed the amount of paperwork, but paperwork reduction is not what makes the system worthy of study. What does deserve attention is the unparalleled speed of the data transmission to managers, which has allowed salespeople to respond to local market conditions as they develop.

Previously, only regional offices could adjust prices, and only after Dallas analyzed the paper reports. But now that headquarters can track and analyze sales more rapidly, salespeople have been given discretion to change prices. If, for example, Doritos corn chips are getting killed in a Milwaukee supermarket by a local brand, the salesperson can immediately cut the price to a certain level. "This provides an entrepreneurial, tailored feel at the store level," says Douglas W. Brockway, a principal with the New York City-based consulting firm of Nolan, Norton & Co.

The revolution has left its mark on PepsiCo's bottom line. Hand-held computers cost the company roughly \$40 million to develop, but that amount has been saved each year by reducing the amount of product that goes stale on the shelves, according to Charles Feld, former director of information systems for Frito-Lay. Feld spearheaded the move but left recently to join Perot Systems, a systems integration firm based in Herndon, Va.

The new system is being used by salespeople at tens of thousands of locales, and Frito-Lay has gained a competitive advantage that brand managers elsewhere can only dream of. Using hand-held computers, Frito-Lay has been able to boost its already dominant share of the snack market roughly another 1% a year, to about 50%, says George E. Thompson, an analyst with Prudential Securities.

But PepsiCo isn't alone in using hand-held computers to gain pricing flexibility. Anheuser-Busch, Borden, Carnation and Coca-Cola Enterprises have all begun using hand-held terminals. Other packaged-goods companies are likely to follow suit under pressure from retailers that are gaining market share through a low-price strategy supported by their own use of

technology. The prime example is Wal-Mart, which has become especially adept at using the data it culls from its checkout scanners to gain negotiating leverage with its packaged-goods suppliers.

Although PepsiCo declines to discuss the system's benefits in detail, management has decided to adapt the technology for its beverage division and for foreign markets. "We keep finding new uses for it," says Frito-Lay spokesman Todd Mackenzie.

Alas, companies that seek to benchmark their data processing practices had best look elsewhere. "We like to keep our system within the family," Mackenzie says. Coca-Cola Enterprises is less inhibited, according to company spokesman Kevin Morris. "We would definitely consider benchmarking requests," he says.

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COMPANY NAMES: Frito-Lay Inc.--Data processing; PepsiCo Inc.--Data processing

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TICKER SYMBOLS: PEP

FILE SEGMENT: MI File 47